

**MINUTES
REGULAR MEETING
AUDIT COMMITTEE**

April 25, 2012

Committee Members Present: Council Members Diane Hofstede, Barbara Johnson, Betsy Hodges; Minneapolis Park & Recreation Board Representative Mark Oyaas; Citizen Members Darrell Ellsworth and Stephanie Woodruff (Quorum 4)

Chair Hofstede called the meeting to order at 9:32 a.m. in Room 317 City Hall, a quorum being present.

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1. Adopt Agenda.

Hofstede moved to amend the agenda to move consideration of Items 5 and 6 to follow Item 7. Adopted upon a voice vote.

The agenda, as amended, was adopted upon a voice vote.

Absent - Johnson.

2. Accept Minutes of the Regular Meeting of March 28, 2012.

Hofstede moved acceptance of the minutes of March 28, 2012.

Ellsworth inquired what action had been taken regarding the Grant Management Process Review item which had been referred to the Ways & Means/Budget Committee in March. Hodges stated that the W&M/Budget Committee received and filed the overall report and requested a report back on the action plans by June 30.

The minutes were adopted upon a voice vote.

Absent - Johnson.

Unfinished Business

3. Audit Committee Workshop Update.

Casey Carl, City Clerk, stated that he would be consulting with Audit Committee members to schedule the next workshop and review topics to be covered.

New Business

Department of Internal Audit

4. 2011 Internal Audit Annual Report.

Magdy Mossaad, Internal Auditor, reviewed the 2011 Annual Report with a PowerPoint presentation.

The Committee discussed the following topics related to the findings from the Bank Account Reconciliation, Bank Account Access, and ACH Transaction Review (Report No. 2011-07) regarding high transaction limits for wire transfers:

- Management's statement that it did not concur that the City was subjecting itself to a level of unnecessary risk
- Management's decision to not perform credit background checks on Treasury employees that have wire transfer authorization

Hodges moved to direct the Chair of the Audit Committee to forward to the City Council the findings from Report No. 2011-07 "Bank Account Reconciliation, Bank Account Access and ACH Transaction Review" regarding all authorized users of Commercial Electronic Office (the portal used by Treasury management to monitor and manage Wells Fargo banking activities) having a high dollar wire transfer transaction limit representing unnecessary risk to the City; and the findings from said report relating to credit background checks for employees with high dollar wire transfer transaction responsibilities, for referral to the Way & Means/Budget Committee for discussion and action.

Adopted upon a voice vote.

Relating to the Client Satisfaction Survey Results, Hodges requested a more in depth breakdown of the responses. Mr. Mossaad stated that he would provide Hodges with the raw data. Oyaas requested that a breakdown of the survey results be included as a topic at the next workshop.

The Committee discussed the inclusion of the Internal Auditor at the City's Department Leadership meetings. In response to questions, Jayne Khalifa, Interim City Coordinator, explained that the current process was in place when she assumed her interim position, and she had chosen not to make any changes. She felt it would be more appropriate for the new City Coordinator to make that decision.

Johnson moved to direct the Chair of the Audit Committee to forward to the City Council the Audit Committee's recommendation that the Internal Auditor be included in the City's Department Leadership meetings for referral to the Ways & Means/Budget Committee.

Adopted upon a voice vote.

Hodges recorded as abstaining.

Hofstede moved to receive and file the 2011 Internal Audit Annual Report.

Adopted upon a voice vote.

Report of Internal Auditor

7. Update on audit activities: First Quarter Action Plans Update.

Mr. Mossaad reported that the first quarter update was included in the Project Status Update portion of the 2011 Annual Report (Item 4). Since two action items were incomplete, the update could be postponed until those items were resolved.

No action was taken on this item.

New Business

5. Information Technology (IT) External Penetration Assessment Report:

- a) Review Internal Audit Report;**
- b) Direct staff to publish the report.**

6. Information Technology (IT) Database Access Review Report:

- a) Review Internal Audit Report;**
- b) Direct staff to publish the report.**

Hofstede informed the Committee that Items 5 and 6 involved audits of security information. Only the content of the public audit reports could be discussed at the public meeting. Should a member of the Committee wish to inquire into the non-public security information, the Committee would move into closed session; however, the public portion of both items would be discussed before doing so.

Magdy Mossaad, Internal Auditor, stated that Protiviti Risk and Business Consulting, a firm specializing in Information Technology (IT) and Internal Audit, had been hired to perform the two reviews.

Miron Marcotte, Protiviti Managing Director, introduced David Lubin and Benny Sharp of Protiviti who summarized the two reports with a PowerPoint presentation.

The Committee questioned the expected completion date for the "Security Awareness" vulnerability. Mr. Lubin explained that IT management chose to address the vulnerability in a multi-phased process. Parts will be completed this year and next year.

Susan Trammell, Assistant City Attorney/City's Ethics Officer, addressed the Minnesota Government Data Practices Act, Section 13.37 of Minnesota Statutes, which defines security data as including government data the disclosure of which would be likely to substantially jeopardize the security of information, possessions, individuals, or property against theft, tampering, improper use, attempted escape, illegal disclosure, trespass, or physical injury. Security data is classified as non-public data under the Minnesota Government Data Practices Act. The Information Technology External Penetration Assessment Report and Information Technology Database Access Review Report both involve security information and constitute security data as defined by the Data Practices Act. Discussions related to security data may be held in a closed session pursuant to Minnesota Statutes Section 13D.05, Subd. 3(d) provided disclosure of the information discussed would pose a danger to the public safety or compromise security procedures or responses. She advised that the Committee would need to vote to close the meeting, with the time and place of the closed meeting announced.

At 10:54 a.m., Hodges moved that the Audit Committee move into closed session, to be held in Room 315 City Hall immediately following the vote upon the motion, for the purpose of discussing the security information issues raised in the IT External Penetration Assessment Report and the IT Database Access Review Report, as disclosure of the information to be discussed would compromise current and proposed information security procedures.

Adopted upon a voice vote.

Absent - Oyaas.

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Room 315 City Hall
Minneapolis, Minnesota
April 25, 2012 - 11:05 a.m.

The Committee met pursuant to Minnesota Statutes 13D.05. Council Member Diane Hofstede in the Chair.

Committee Members Present - Council Members Diane Hofstede, Barbara Johnson, and Betsy Hodges; Citizen Members Darrell Ellsworth and Stephanie Woodruff.

Committee Member Absent - Minneapolis Park and Recreation Board Representative Mark Oyaas.

Also Present - Magdy Mossaad, Internal Auditor; Jake Claeys, Audit Staff; Jayne Khalifa, Interim City Coordinator; Peter Wagenius, Senior Policy Aide to Mayor Rybak; Mark Paulsen and Debra Parker, Information Technology Department; Miron Marcotte, Benny Sharp, and David Lupin, Protiviti Risk and Business Consulting; Susan Trammell, Assistant City Attorney; and Peggy Menshek, City Clerk's Office.

At 11:05 a.m., Johnson moved that the meeting be closed.

Adopted upon a voice vote.

Absent - Oyaas.

The Committee discussed matters of security issues relating to the Information Technology External Penetration Assessment Report and the Information Technology Database Access Review Report from 11:05 a.m. to 11:30 a.m.

At 11:30 a.m., Johnson moved that the meeting be opened.

Adopted upon a voice vote.

Absent - Oyaas.

The closed session of the Audit Committee meeting was tape recorded with the tape on file in the office of the City Clerk.

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The Audit Committee meeting reconvened in Room 315 City Hall at 11:30 a.m.

Committee Members Present - Council Members Diane Hofstede, Barbara Johnson, and Betsy Hodges; Citizen Members Darrell Ellsworth and Stephanie Woodruff.

Committee Member Absent - Minneapolis Park and Recreation Board Representative Mark Oyaas.

Continued –

5. Information Technology (IT) External Penetration Assessment Report:

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The Committee discussed budget implications as a result of the implementation of the recommendations and the risk of external access via home computers and mobile devices. Hodges stated that she would bring a motion to the next Audit Committee meeting regarding incorporating the cost of implementing the recommendations into management action plans.

Jayne Khalifa, Interim City Coordinator, asked that it be noted in the record that because the Auditor is not included at Department Leadership meetings does not mean that they do not work together cooperatively. Their meetings are simply held in a forum different from the Department Leadership meetings.

Hodges moved to receive and file the IT External Penetration Assessment Report and the IT Database Access Review Report with the direction that staff publish the reports.

Adopted upon a voice vote.

Absent - Oyaas.

Announcements

There were no announcements.

The meeting was adjourned at 11:46 a.m.

Absent - Oyaas.

Submitted by: Peggy Menshek, Council Committee Coordinator/City Clerk's Office